

**MINUTES OF THE
EXECUTIVE APPROPRIATIONS COMMITTEE**
Tuesday, July 12, 2016 – 2:00 p.m. – Room 445 State Capitol

Members Present:

Rep. Dean Sanpei, Co-Chair
Sen. Jerry W. Stevenson, Vice Chair
Rep. Brad L. Dee, Vice Chair
Sen. J. Stuart Adams
Sen. Jim Dabakis
Sen. Gene Davis
Sen. Luz Escamilla
Sen. Peter C. Knudson
Sen. Karen Mayne
Sen. Wayne L. Niederhauser, President
Sen. Ralph Okerlund
Rep. Patrice M. Arent
Rep. Joel K. Briscoe
Rep. Rebecca Chavez-Houck

Rep. James A. Dunnigan
Rep. Francis D. Gibson
Rep. Gregory H. Hughes, Speaker
Rep. Brian S. King
Rep. Brad R. Wilson

Members Excused:

Sen. Lyle W. Hillyard, Co-Chair

Staff Present:

Mr. Jonathan Ball, Legislative Fiscal Analyst
Mr. Steven Allred, Deputy Director
Ms. Greta Rodebush, Legislative Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at www.le.utah.gov.

1. Call to Order/Approval of Minutes

Co-Chair Sanpei called the meeting to order at 2:16 p.m. Vice Chair Stevenson served as Co-Chair on behalf of Sen. Hillyard who was excused from the meeting. The minutes were not adopted at this time.

2. Fiscal Health Check-up: Debt Update [Agenda Item 3]

Ms. Clare Tobin Lence, Fiscal Analyst, LFA, gave an update on General Obligation (GO) Bond Debt and Revenue Bond Debt by navigating to the [Fiscal Health Dashboard](#). Indicators show that the GO Debt for FY 2017 is \$2.5 billion, down slightly from last year. As a percentage of the Constitutional Debt Limit, the GO Bond Debt is at 54.8 percent.

Ms. Lence reported that the Revenue Bond Debt for FY 2017 is approximately \$316 million. This is a significant increase from FY 2016, which is attributed to new debt that was issued for the Fourth District Court House, a liquor store in West Valley City, and some university buildings.

Mr. Brian Wikle, Fiscal Analyst, LFA, discussed the Issue Brief, “[Debt Service Overview](#).” He reported that the State’s FY 2017 GO bond indebtedness is \$2.5 billion. On July 1, 2016 the State paid about \$325 million toward the principal on GO Debt. Mr. Wikle also pointed out that the GO Debt does not include \$473.5 million authorized for prison construction and \$63.7 million authorized for highway projects.

Mr. Wikle discussed the debt pay off schedule shown in “Chart 1: General Obligation and Least Revenue Bonds Principal Outstanding” as well as Utah’s “Triple A” credit rating and debt ratios.

MOTION: Vice Chair Stevenson moved to adopt the minutes of June 14, 2016. The motion passed unanimously with Sen. Adams, Sen. Davis, Rep. Dunnigan, Speaker Hughes, and Rep. Wilson absent for the vote.

3. Federal/Non-federal Grants Review [Agenda Item 2]

Mr. Ken Matthews, Federal Assistance Management Officer, Governor's Office of Management and Budget (GOMB), presented the "[Federal and Non-Federal Grants Report](#)" dated July 12, 2016. Mr. Gary Syphus, Fiscal Analyst, LFA, provided assistance.

Under federal grants, there were 5 new grants requiring legislative action. The Governor's Office approved four new grants and two continuations of existing grants.

Under non-federal grants, there was two new grants and one reapplication requiring legislative action.

Mr. Ball asked about the CCJJ "STOP Violence Against Women Formula Grant Program," which was stricken from last month's report because the annual state match was in need of further review.

Mr. Matthews responded that according to CCJJ, the grant did not need to be approved for several months because the grant amount has not been awarded yet. CCJJ asked for more time so that the correct award amount could be entered into GOMB's grant system. Mr. Matthews expects that the grant will be brought before the EAC in September or October 2016.

MOTION: Vice Chair Stevenson moved to recommend acceptance of the federal and non-federal grants as outlined on page 1 of the handout entitled, "Federal/Non-Federal Grants Review and Approval" under the heading, "Grants Requiring EAC Review and Recommendation" and dated today, July 12, 2016. The motion passed unanimously with Sen. Adams, Sen. Davis, Rep. Dunnigan, Speaker Hughes, and Rep. Wilson absent for the vote.

4. Fiscal Note/Budget Item Follow-up Report

Mr. Stephen Jardine, Fiscal Analyst, LFA, presented the Issue Brief, "[Fiscal Note and Budget Item Follow-Up Report](#)." The report follows-up on 161 fiscal notes and budget items from previous legislative sessions. This year's report looks primarily at items from the 2015 General Session.

Mr. Jardine explained that for each fiscal note and budget item, the Fiscal Analyst assigned a stop light color of red, yellow, or green, scoring for implementation status, budget accuracy, and, where available, performance. The guidelines for scoring can be found in Appendix A of the report.

Mr. Jardine reported that 89 items underspent approximately \$149 million in the year the Legislature appropriated those monies. Of the \$149 million, \$109 million involved spending delays for buildings and construction. Fifty-six items spent exactly what the Legislature appropriated and 16 items came in over budget.

Rep. Dee inquired about the funding for the "High School Graduation Readiness Project" that the Legislature appropriated \$250,000 one-time General Fund to support a program at Roy High School in the Weber School District. He indicated that the monies were spent for a school counseling program

instead. Rep. Dee received an explanation on the funding in conjunction with the fiscal analysts' presentations that followed.

1. 2014 G.S. High School Graduation Readiness Project (page 5) – Clare Tobin Lence

Ms. Lence explained that during the 2014 General Session the Legislature appropriated \$250,000 one-time General Fund to GOMB for a "High School Graduation Readiness Project." GOMB interpreted the appropriation as support for one of the Governor's requests during that Session, a "Student Counseling Program" that was part of a larger "Graduation Initiative" item. GOMB expended about \$200,000 on the Student Counseling Program, prior to Weber School District inquiring about the funding in May 2016. Ms. Lence indicated that GOMB and Weber School District have been working to resolve this funding issue.

Ms. Lence talked about the challenges that can result in ensuring legislative intent for some of these budget items.

Mr. Duncan Evans, Budget Manager, GOMB, explained in greater detail the confusion that resulted when a name change deleted "Roy High School" from the original appropriation. He stated that the Governor fully supports the program.

Rep. Dee asked what was being done to remedy the problem. He also pointed out that a private individual had provided a \$250,000 match for the High School Readiness Project. Mr. Evans responded that GOMB will be sending approximately \$59,000 in unspent monies to the Weber School District, but GOMB will have to find a \$200,000 appropriation to cover the balance.

Mr. Phil Dean, Deputy Director, GOMB, responded that GOMB is still working on coming up with the \$200,000. The Governor's Office wants to ensure that this funding issue is taken care. Mr. Dean talked about the ongoing issue of trying to understand legislative intent and bills that do not give agencies clear guidance on how they are to expend their money.

2. 2015 G.S. H.B. 348 Justice Reinvestment Act (page 24) – Gary Syphus
3. 2015 G.S. Utah Railroad Museums Grant Writer (page 59) – Dr. Andrea Wilko
4. 2014 G.S. After school programs to address intergenerational poverty – TANF (page 69) – Russell Frandsen
5. 2015 G.S. Case Managers for Chronically Homeless (page 82) – Russell Frandsen
6. 2015 G.S. Jordan River/Utah Lake Improvements (page 129) – Ivan Djambov
7. 2015 G.S. NEPA Fund (page 130) – Ivan Djambov
8. 2015 G.S. K-12 Digital Literacy (page 141) – Ben Leishman
9. 2015 G.S. Charter School Professional Development Grants (page 149) – Jill Curry
10. 2014 G.S. Heber Valley Railroad (page 155) – Brian Fay

MOTION: Vice Chair Stevenson moved to ask each appropriations subcommittee to review each item under their purview in the 2016 Interim Fiscal Note and Budget Item Follow-up Report and to consider adjusting appropriations. The motion passed unanimously with Sen. Adams and Sen. Davis absent for the vote.

5. Internal Service Fund Rate Impacts and Legislative Appropriations

Mr. Wikle, Fiscal Analyst, LFA, presented the Issue Brief, "[Internal Service Funds Overview and Impacts](#)." He reviewed legislative actions in the 2016 General Session regarding internal service fund rates that included three major changes. The Legislature passed S.B. 52, "Rate Committee Modifications" that prohibited ISF's from being represented on their own rate committees. The Legislature also funded projected impacts from shifting the Department of Human Resource Management to an Internal Service Fund (ISF). Finally, the Legislature authorized the FY 2017 rates and fees as recommended by the ISF agencies.

Mr. Wikle pointed out that the Legislature did not appropriate additional funding for projected impacts for the other ISFs operated by the Department of Administrative Services and the Department of Technology Services. As a result, customer agencies are motivated to find savings in their budgets, reduce their usage of ISF services, or reduce their costs.

Mr. Wikle reviewed four options regarding ISF incremental impacts. The Fiscal Analyst suggested that the EAC refer this issue to the Infrastructure and General Government Appropriations Subcommittee (IGG) for further consideration.

Mr. Ball indicated that this issue will be brought back before the EAC either in October or November once the IGG has made its recommendations. He noted that by then, next year's rate impacts should be available as well.

6. State Fairpark Report on Possible Long-term Leases and Bond Issuances

Mr. Larry Mullenax, Executive Director, Utah State Fairpark, discussed the "[Utah State Fairpark](#)" presentation.

Mr. Mullenax briefly reviewed the provisions of S.B. 173, "State Fair Park Revisions" (2016 General Session) that modified the membership of the Fairpark Board of Directors; provided legislative oversight; and authorized long term leases and the issuing of revenue bonds.

Mr. Mullenax reported on the Fairpark's progress in establishing strategic partnerships and creating economic development at the Fairpark that included reviewing the historical registry, validating property boundaries, and forming a strategic alliance with the Days of 47 Rodeo to build a new arena at the Fairpark. Mr. Mullenax also discussed the possibility of constructing a Department of Agriculture Exhibition Center at the Fairpark to attract larger events such as trade and industry shows.

To date, the Fairpark has not needed to pursue a revenue bond. Mr. Mullenax indicated that the Fairpark may need to bond sometime in the future to secure financing to convert and modernize existing buildings. The arena will be managed by the Utah Division of Facilities and Construction Management (DFCM) and all the procurement bidding will be done under the auspices of the State.

7. Draft Legislation, "State Fair Park Amendments"

Sen. Escamilla discussed H.B. 3002, "[State Fair Park Amendments](#)," which will be heard in the 2016 Third Special Session held on July 13, 2016.

Sen. Escamilla spoke about the economic development opportunities that the passage of H.B. 3002 will provide the West Side of Salt Lake City and the State of Utah. The bill authorizes the DFCM to contract

for the design and construction of an arena at the State Fairpark and appropriates \$10.0 million one-time from the General Fund to accomplish this goal.

Sen. Escamilla explained that the \$17.0 million arena needs to be completed by July 1, 2016 to host the Days of 47 Rodeo. She mentioned that Salt Lake County and Salt Lake City have played an integral role in this process along with the State and the private sector. Sen. Escamilla recognized the work of Sen. Van Tassell, Sen. Jenkins, and Rep. Wilson as well.

Speaker Hughes emphasized that the procurement process will need to be done right in order to meet next year's deadline.

Rep. Arent thanked Sen. Escamilla, Rep. Hollins, and former Rep. Seelig for their continuing work on the State Fairpark.

Sen. Okerlund said that it would be important to understand why and how the State is funding this project. Referring back to the findings in the Fiscal Note and Budget Item Follow-up Report, Mr. Ball indicated that not all of the money appropriated for FY 2016 would be spent and could potentially be used to cover the \$10.0 million appropriation for the arena. However, he was not in favor of funding projects in this manner on a regular basis.

Sen. Dabakis asked about provisions for sale of alcohol at the arena. Sen. Escamilla clarified that alcohol would be sold at appropriate events. Mr. Mullenax indicated that the Fairpark's concession and governance platforms have to be consistent with other nationally recognized venues in order to draw events to the arena.

MOTION: Sen. Stevenson moved to adopt the legislation, "State Fair Park Amendments" as an Executive Appropriations Committee bill. The motion passed unanimously with Sen. Adams, Rep. Briscoe, and Rep. Gibson absent for the vote.

8. UDOT Project Financing Report

Ms. Angela Oh, Senior Statistician, LFA, reviewed legislative intent language from the 2016 General Session that directs the Utah Department of Transportation (UDOT) to prepare an analysis and financial report on the possibility of advancing the construction of road projects currently programmed in the Transportation Investment Fund.

Mr. Carlos Braceras, Executive Director, UDOT, discussed "[Utah Department of Transportation, Report to Executive Appropriations Committee](#)" dated July 12, 2016. He was joined by Mr. Shane Marshall, Deputy Director, UDOT, and Ms. Becky Bradshaw, Chief Financial Officer, UDOT.

Mr. Braceras spoke on the advantages and disadvantages of accelerating projects along the I-15 Corridor in Utah, Salt Lake, and Davis Counties. He discussed four bonding scenarios. Additionally, the analysis included estimated outstanding debt and constitutional debt limits under each scenario.

Mr. Braceras mentioned two projects that would compete for labor and materials, the new state prison and the airport. He also addressed questions regarding labor constraints, demand for contractors, long-term transportation planning, and traffic congestion.

Mr. Marshall identified a number of road projects planned for the future to alleviate congestion problems.

Ms. Oh and Dr. Thomas Young, Economist, LFA, discussed the Issue Brief, "[Utah Department of Transportation Net Present Value of Bonding Scenarios](#)" and the presentation, "[Net Present Value of Bonding Scenarios](#)."

Ms. Oh posed the question, "Do the benefits of accelerating transportation projects through bonding outweigh the issuance and interest costs associated with bonding?" The brief examines this question by comparing the net present value (NPV) of potential 10-year and 15-year interest costs against the positive benefits of construction employment, congestion savings, and potential economic development.

Under Scenario 1 for 10-Year Bonding, Dr. Young compared the cost of issuance and interest expense with associated benefits across time. He identified the Summary of Assumptions used in the analysis on page 10 of the Issue Brief. Finally, Dr. Young discussed the results of the analysis given in Table 9 - Results Matrices for the 10-Year and 15-Year Bonding Scenarios. Overall, in each of the scenarios, the cost of issuance and interest outweigh the benefits, as illustrated by the negative numbers in the Net columns in both matrices.

Mr. Ball clarified that the analysis measures the cost of accelerating transportation projects by two years versus the benefit gained from finishing the projects.

President Niederhauser said that one could make the argument for pay-as-you go rather than borrowing money. He said that we should always take pause and think about the ramifications of bonding.

Mr. Ball remarked that there are situations when bonding is appropriate but in an expansionary time period, we should pay down debt.

Sen. Adams suggested that the State may want to look at staggering road projects rather than trying to complete them all at once.

Speaker Hughes mentioned that the State of Tennessee does not bond for road projects and is a pay-as-you-go State. Mr. Braceras indicated that Commissioner John Shore said that Tennessee would like to have more flexibility in delivering projects more quickly.

Mr. Braceras observed that increased revenues in the TIF are helping UDOT to move forward in preparing to deliver on planned road projects.

9. DNR Report on Catastrophic Fire Prevention

This agenda item was not heard.

10. Other Business/ Adjourn

MOTION: Sen. Stevenson moved to adjourn. The motion passed unanimously with Rep. Briscoe and Rep. Dee absent for the vote.

Co-Chair Sanpei adjourned the meeting at 4:40 p.m.